

MANAGEMENT DISCUSSION AND ANALYSIS



Xue Guoping
Vice-Chairman & Managing Director

BUSINESS REVIEW

Property Investment and Development

Mainland China

Shanghai Pudong Gloria Harbour View

Shanghai Pudong Gloria Harbour View is in the prime location of Lujiazui Central Financial District, Pudong, Shanghai, fronting Pudong Binjiang Main Street and Huangpu River to the south. In its neighborhood are high-rise office buildings and hotels. When fully developed, this property will have a gross floor area of more than 1,000,000 square feet. This development concept was inspired by other top-class luxury apartments. The project comprises five high-rise deluxe residential blocks providing multi-storey and duplex apartments. The complex will also include gardens, a luxurious clubhouse and underground car parks. The landscaped space covers approximately 65% of the total area of the construction site. The Group believes that this development project will cater for buyers who desire a comfortable and fashionable home living environment and will provide satisfactory returns. Construction has commenced and the sale of apartments is scheduled for 2004.

Guangzhou Metro Paradise

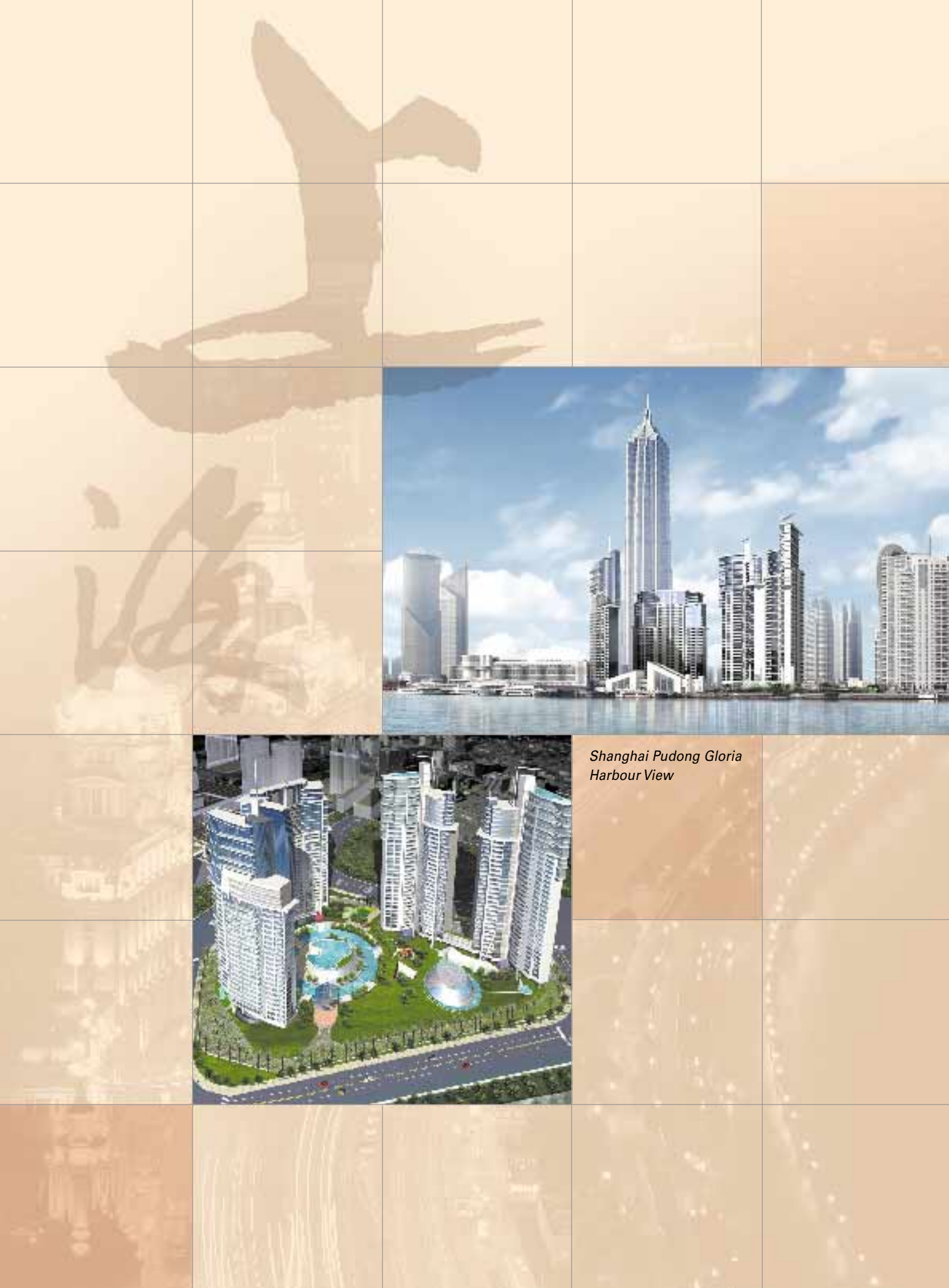
Guangzhou Metro Paradise is in the prime location of 358-378 Tian He Bei Road, Tian He District. The project is a 30-storey building comprising five blocks of residential apartments atop a four-storey commercial podium with a total floor area of approximately 1,380,000 square feet. In September 2002, the Group acquired the development project from COFCO (Hong Kong) Limited, its controlling shareholder. The market response has been satisfactory, providing the Group with solid returns.

Beijing Capital Paradise

Through years of planning and operations, Beijing Capital Paradise has become a landmark residential community for expatriates in Beijing, with all the villas sold. The rental apartments have maintained an occupancy rate of more than 80%, providing the Group with stable rental income.

Shenyang Top Glory Square

Shenyang Top Glory Square is located in the central business district of Shenyang. It is a multi-functional commercial building where food, entertainment and shops are available. The occupancy rate has been satisfactory. The opening of a number of well-known department stores in the Square has attracted more shoppers, thus establishing the complex as the center for food and beverage outlets, shopping and entertainment in Shenyang. Construction of middle-class apartment blocks in this district began last year, with flat sales expected to begin by the end of 2003.



*Shanghai Pudong Gloria
Harbour View*

Management Discussion and Analysis

Hong Kong

The overall performance of the Hong Kong economy has been sluggish over the previous year. The occupancy rate of the Group's office building was stagnant, resulting in a continual decrease in rental income. As at 31 December 2002, the occupancy rate of Top Glory Tower, located in Causeway Bay, was 88%.

Hotel Investment

The hotel and tourist industry as well as commercial activities were greatly affected by both September 11 and the uncertainties surrounding the recent stagnant economic condition. Hotel operations, though, did improve as a whole last year. The average occupancy rates of Beijing Gloria Plaza Hotel, Shenyang Gloria Plaza Hotel, Sanya Gloria Resort and Dalian Gloria Plaza Hotel were 79%, 59%, 69% and 54%, respectively.

The Group focused on improving its hotel services, thus enhancing the image of "Gloria".

Foodstuffs & Edible-Oils Processing and Manufacturing

During the year under review, COFCO International Limited ("COFCO International"), the associate company of the Group, was principally engaged in the businesses of edible oils, soyabean meal and related products; wineries; confectionery; trading; and flour milling. COFCO International has contributed HK\$87,286,000 in profits to the Group.

FINANCIAL RESOURCES

As at 31 December 2002, the total bank borrowings of the Group amounted to HK\$754,695,000 (2001: HK\$971,101,000). Cash on hand was approximately HK\$283,799,000. The Group's loans were all unsecured. The gearing ratio (total liabilities to total assets) was 19% (2001: 22%). In January 2003, the Group announced the disposal of its shares in COFCO International for approximately HK\$844,092,000, about HK\$633,200,000 of which was used for repaying the bank borrowings. The pro forma cash on hand in aggregate amounted to approximately HK\$494,691,000. The pro forma net cash was approximately HK\$373,196,000. Management believes that there is sufficient working capital and funds to finance the Group's operations and investment projects. The pro forma gearing ratio has dropped to 10%. In addition, the continual stable cash flow from investment properties and hotel operations will provide the Group with a healthy financial position, thus strengthening its competitiveness. The Group will continue with its prudent financial policy by maintaining a low borrowing rate.

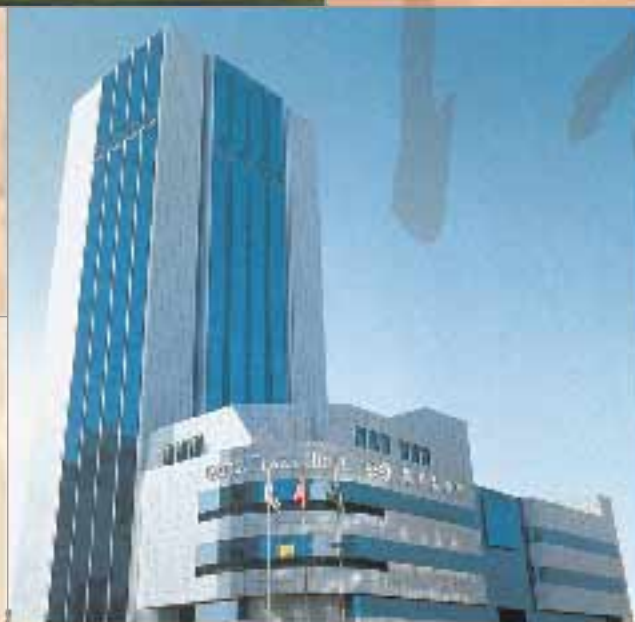
CAPITAL STRUCTURE

Pursuant to the approval of a rights issue by the shareholders of the Company at an Extraordinary General Meeting held on 5 September 2002, the Company issued 668,784,023 new shares at HK\$0.35 each, raising net proceeds of approximately HK\$232,500,000.

Other than the above, there was no change in the share capital of the Company during the year under review.



Shenyang Top Glory Square



Gloria Plaza Hotel Shenyang

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2002, the Group's total number of full-time staff was 2,175. Remuneration policies are reviewed and approved by management on a regular basis.

CHANGE IN GROUP STRUCTURE

Apart from that stated above, there was no change in the group structure in the year under review.

PROSPECTS

The economic prospects of China improved significantly following its entry into the WTO. Demand for high-class properties and hotel accommodation will increase accordingly and create significant business opportunities for the Group.

With the full support of China National Cereals, Oils & Foodstuffs Import & Export Corporation, its ultimate holding company, the Group will continue to benefit from its healthy financial position and stable profitability. It will continue to seek opportunities for medium-to-high-class residential projects in China's major cities such as Beijing, Shanghai, Guangzhou and Shenzhen. The Group will monitor market developments and replenish its land reserve as appropriate.

By Order of the Board

Xue Guoping

Vice-Chairman & Managing Director

Hong Kong, 8 April 2003